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TO RUEHC/SECSTATE WASHDC 5889  
INFO RUEHOO/CHINA POSTS COLLECTIVE  
RUEHUL/AMEMBASSY SEOUL 8762  
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RUEATRS/DEPT OF TREASURY WASHDC  
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SIPDIS

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SUBJECT: DPP LEGISLATOR HONG CHI-CHANG SLATED TO BECOME NEW  
CHAIRMAN OF THE STRAITS EXCHANGE FOUNDATION

**¶11. (SBU)** Summary. Premier Chang Chun-hsiung has confirmed plans to appoint DPP legislator Hong Chi-chang as the new chairman of the Straits Exchange Foundations (SEF). Hong has said his priorities will be to increase services for Taiwan investors on the mainland and to reestablish direct interaction with SEF's counterpart, the PRC Association for Relations Across the Taiwan Strait (ARATS). Comment. These goals will be difficult to accomplish, especially in an election year, since ARATS show little or no inclination to change its 8-year policy of boycotting SEF. With SEF and ARATS both marginalized, the two sides have been negotiating cross-Strait economic issues through private associations.  
End Comment. End Summary.

NEW CHAIRMAN NAMED

**¶12. (U)** On June 27, Premier Chang Chun-hsiung confirmed plans to appoint Hong Chi-chang, a Democratic Progressive Party (DPP) legislator and leading figure in the party's former New Tide faction, as Chairman of the Straits Exchange Foundation (SEF). Hong will succeed Chang Chun-hsiung, who stepped down as SEF Chairman when he was appointed Premier in May 2007. The appointment will become effective after personnel procedures are completed and Hong's appointment is approved by the SEF Board. Hong has said his first priority as SEF Chairman will be to propose constructive measures to improve services for Taiwan investors in the mainland. In addition, he plans to focus on trying to reestablish functional relations with the SEF's mainland counterpart, the Association for Relations Across the Taiwan Straits (ARATS), which have been suspended for eight years.

BIO NOTE

**¶13. (SBU)** Hong Chi-chang, born August 23, 1951, is a professional psychiatrist as well as an influential DPP politician. A founding member of the DPP and a legislator since 1989, he recently lost his primary bid to compete for another term. During the primary he came under Deep Green criticism for supporting increased opening of cross-Strait economic relations. Hong graduated from the Department of Medical Science, Taipei Medical College, and earned Master's degrees in public health from National Taiwan University and the Graduate School of Medical Studies, Toronto University. In the mid-1980's he served as chief of the psychiatry department at MacKay Memorial Hospital in Taipei. One of

AIT's long-term contacts, Hong has focused in recent years on economic policy, especially the further opening of cross-Straits economic relations.

COMMENT

¶4. (SBU) Due to ARAT's suspension of most direct contact with SEF since 1999, SEF has not played a prominent role in cross-Straits relations in recent years. For example, cross-Straits tourism and charter flight consultations are conducted through authorized private associations. China's Cross-Straits Travel Exchange Association interacts with Taiwan's Cross-Straits Tourist Exchange Association. Similarly, the Taiwan Airlines Association works with its counterpart, China's Civil Aviation Association, on charter flight issues. On July 3, SEF Secretary General Michael You told us that Hong is well-respected on both sides of the Strait, suggesting he could have the clout to restart SEF-ARATS talks, however Hong's goal of reestablishing SEF as the primary channel of interaction with China on cross-Straits issues will be unlikely to accomplish in the run up to the 2008 Presidential election. For now, the PRC seems content to continue its current policy of negotiating with Taiwan on cross-Straits economic issues through private associations, with officials from the two sides embedded in their respective delegations.

YOUNG